

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: Community Affairs Committee

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BILL: CS/SB 1194

SPONSOR: Community Affairs Committee and Senator Bennett

SUBJECT: Homestead Assessments

DATE: March 28, 2005

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Vickers	Yeatman	CA	Fav/CS
2.	_____	_____	GE	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

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## I. Summary:

This committee substitute (CS) provides that the assessment at just value for changes, additions, or improvements to homestead property rendered uninhabitable in one of the named storms of 2004 shall be limited to the square footage exceeding 110 percent of the property's pre-storm square footage. In addition, eligible homes having square footage less than 1,350 square feet may rebuild up to 1,500 square feet without incurring additional assessment. Repairs to homestead properties must be completed by January 1, 2008, in order to qualify for these assessment limitation provisions.

This CS creates an unnumbered section of the Florida Statutes.

## II. Present Situation:

Article VII, s. 4 of the State Constitution requires that all property be assessed at its just value for ad valorem tax purposes. Just value has been interpreted to mean fair market value.

**Homestead Exemptions** - Article VII, s. 6 of the State Constitution authorizes an exemption from ad valorem taxation for homestead property owned by a taxpayer and used as the owner's permanent residence or the permanent residence of another who is legally or naturally dependent upon the owner. The value of the homestead exemption is currently \$25,000 of the assessed value of the real estate.<sup>1</sup>

**Property Assessment Limitations** - Article VII, s. 4(c) of the State Constitution, provides for a homestead property assessment increase limitation. The annual increase in homestead property

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<sup>1</sup> Implemented in s. 196.031, F.S.

values is limited to 3 percent or the Consumer Price Index percentage, whichever is lower, not to exceed just value. If there is a change in ownership, the property is to be assessed at its just value on the following January 1. The value of changes, additions, reductions or improvements to the homestead property is assessed as provided by general law. Section 193.155, F.S., implements this assessment limitation.

Section 193.155(4), F.S., provides that changes, additions, or improvements to homestead property shall be assessed as just value as of the first January 1 after the changes, additions, or improvements are substantially completed. However, paragraph (b) of s. 193.155(4), F.S., stipulates that changes, additions, or improvements do not include replacement of a portion of real property damaged or destroyed by misfortune or calamity when the just value of the damaged or destroyed portion as replaced is not more than 125 percent of the just value of the damaged or destroyed portion. The value of any replaced real property, or portion thereof, which is in excess of 125 percent of the just value of the damaged or destroyed property shall be deemed to be a change, addition, or improvement and subject to assessment.

**Response to the 2004 Hurricane Season** - In August and September of 2004, four named hurricanes struck the State of Florida, causing widespread damage. According to the American Red Cross, nearly 15,000 single family homes were destroyed by hurricanes or tropical storms in 2004, and almost 40,000 suffered major damage. Over 14,000 mobile homes were also severely damaged as a result of these storms. Based on the Red Cross damage assessments, it has been estimated that over 12,000 homesteads were destroyed by storm activity, and over 28,000 suffered major damage.

In response to the hurricane damage, the Legislature enacted ch. 2004-474, L.O.F. This legislation provides for owners of homestead property to be reimbursed for a portion of the property taxes levied on their property if it was rendered uninhabitable for at least 60 days in 2004 by a hurricane or tropical storm. The property appraiser must calculate the reimbursement due for each approved application and forward a list of property owners entitled to reimbursement to the Department of Revenue by April 1, 2005. The amount of each reimbursement is capped at \$1,500. The Department will issue reimbursement checks, and must reduce all reimbursement payments proportionately if the total amount claimed exceeds the amount appropriated to pay for reimbursement.

### **III. Effect of Proposed Changes:**

The CS provides that notwithstanding s. 193.155(4), F.S., the assessment at just value for changes, additions, or improvements to homestead property rendered uninhabitable in one or more of the named storms of 2004 shall be limited to the square footage exceeding 110 percent of the homestead property's total square footage. In addition, homes having square footage less than 1,350 square feet may rebuild up to 1,500 square feet without incurring additional assessment at just value. These provisions apply to homestead properties in which repairs are completed by January 1, 2008, and apply retroactively to January 1, 2005.

The CS would effectively allow homestead property owners impacted by the 2004 hurricane season to rebuild their damaged property without incurring higher property assessments provided the square footage of the property is not increased by more than 10 percent. The square footage

in excess of the 10 percent threshold would be subject to additional assessment. Similarly, the CS would allow the owners of smaller, older homes (those homes less than 1,350 square feet) damaged during the 2004 hurricane season to rebuild up to 1,500 square feet without incurring higher property assessments. The square footage increase in excess of the 1,500 square foot limit would be subject to additional assessment. In all instances, repairs to the damaged homestead property must be completed prior to January 1, 2008.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

Section 18(b) of Article VII, Florida Constitution, provides that the Legislature may not enact, amend, or repeal any general law if the anticipated effect of doing so would be to reduce the authority that municipalities or counties have to raise revenues in the aggregate, as such authority exists on February 1, 1989, except upon approval of each house of the Legislature by two-thirds of the membership.

The CS would reduce the authority of cities and counties to raise revenue. None of the constitutional exemptions apply, therefore, the CS must be approved by a two-thirds vote of the membership of each house of the Legislature.

##### **B. Public Records/Open Meetings Issues:**

None.

##### **C. Trust Funds Restrictions:**

None.

#### **V. Economic Impact and Fiscal Note:**

##### **A. Tax/Fee Issues:**

None.

##### **B. Private Sector Impact:**

The CS would provide property tax relief for a significant number Florida homestead property owners who sustained damage during the 2004 hurricane season.

##### **C. Government Sector Impact:**

The Revenue Estimating Conference has not met to consider the fiscal impact of this CS on state and local governments. However, the Conference had previously estimated that the bill (which did not include the provision in the CS relating to homestead properties less than 1,350 square feet) would reduce local ad valorem tax revenues by up to \$28.6 million on an annualized basis, assuming no changes in millage rates.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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## **VIII. Summary of Amendments:**

None.

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